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PROPOSED PROGRAMME BUDGET FOR THE BIENNIUM 1998-1999

Net budgeting

Report of the Secretary-General

1. The costs of a number of activities included in the programme budget are not borne entirely by the United Nations but are shared between the Organization and other entities. These activities have not been presented and handled in a uniform manner in previous programme budgets. In some cases, only the share attributable to the United Nations was requested for appropriation purposes under the relevant expenditure sections of the programme budget. This is referred to as net budgeting. In others, the full costs were requested for appropriation purposes and the share of other entities was included under miscellaneous income (income section 2).

2. Net budgeting has been applied in the current and previous programme budgets to the International Trade Centre (sect. 11B) whose costs are shared in an equal manner between the United Nations and the World Trade Organization (formerly with the General Agreement on Tariffs and Trade (GATT)), the secretariats of the Consultative Committee on Administrative Questions, the Information Systems Coordination Committee, the Consultative Committee on Programme and Operational Questions (see sect. 29 of the proposed programme budget)[1] and interorganizational security measures (sect. 30) - all of which are financed jointly by the organizations of the United Nations system. In all those instances, the full budget for the activities is included in the proposed programme budget, but only the United Nations share is requested for appropriation purposes and taken into account in the overall level of the programme budget.

3. In respect of the Joint Inspection Unit (JIU) and the International Civil Service Commission (ICSC), the programme budget had, up to the proposed

programme budget for the biennium 1996-1997, included full provisions under the relevant expenditure sections. The share to be paid by the specialized agencies was reflected under income section 2. Full provisions were also included for the security and conference services in the United Nations Office at Vienna, with the anticipated share of the occupants of the Vienna International Centre and the users of the unified conference services in Vienna reflected as income under income section 2.

4. The preliminary estimate reflected in the proposed outline for the biennium 1998-1999 assumed net budget provisions for JIU, ICSC and the services provided by the United Nations at the Vienna International Centre. Subsequently, provision for net budgeting for those entities was included in the proposed programme budget for the biennium 1998-1999.

5. The basic advantage of net budgeting is that it provides a more accurate picture of the level of requirements of the Organization and does not show, under the budget of the Organization, expenditure requirements that belong to other organizations. It does not inflate the level of the budget.

6. In addressing the issue of net budgeting, the Advisory Committee on Administrative and Budgetary Questions has indicated in paragraph 45 of its report[2] that since the Assembly would appropriate an amount equivalent to the United Nations share of the entities concerned, some mechanism would have to be found to enable the United Nations to continue its current funding practices for them. The application of net budgeting would have no material effect on the funding arrangements. Under net budgeting, as is the case for gross budgeting, the assessments on United Nations Member States would be the same. In either case, the Organization funds its share and participating agencies fund theirs. The following table, taking JIU as an example, illustrates this point:

	Gross budgeting	Net budgeting
	(United States dollars)	
Expenditure section	8 982 600	1 880 100
Income section 2	7 102 500	0
Amount to be assessed	1 880 100	1 880 100

7. For appropriation purposes, under net budgeting only the United Nations share of a particular activity is included. In the presentation of the proposed programme budget itself, however, the full budget is included. For example, in the case of JIU, the full proposed budget for 1998-1999 is presented to the Assembly in paragraphs 29.33 to 29.47 and tables 29.7 and 29.8. The net share to be appropriated is included in table 29.9.

8. In procedural terms, when taking action on the proposed programme budget, the General Assembly would first approve an overall amount for the Joint Inspection Unit. This would be reflected in a resolution. The Assembly would

then appropriate the net share of the Organization for JIU in the context of the appropriation resolution. If, in approving the proposed budget for JIU, the Assembly modifies the proposals of the Secretary-General, the net share to be appropriated will be adjusted accordingly. The same procedure would apply to the International Civil Service Commission. Net budgeting does not therefore reduce the level of budgetary information provided to the Assembly nor does it modify or restrict the authority of the Assembly in budgetary matters.

9. The statute of JIU and that of ICSC both require that their budgets should be included in the regular budget of the United Nations. Under net budgeting and following the procedure explained in the preceding paragraph, the full budgets of ICSC and JIU are included in the proposed programme budget and the authority of the General Assembly to review and approve the full budget is maintained.

10. To summarize, net budgeting is intended to reflect a more accurate picture of the requirements of the Organization. In so doing, it does not affect the funding arrangements for the activities concerned; it does not affect the level of assessments; it does not modify the authority of the General Assembly in budgetary matters.

Notes

[1] See Official Records of the General Assembly, Fifty-second Session, Supplement No. 6 (A/52/6/Rev.1), vol. II.

[2] Ibid., Supplement No. 7 (A/52/7).